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## **CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED**

**中國置業投資控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 736)

### **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION**

### **RESUMPTION OF TRADING**

#### **THE ACQUISITION**

On 4 June 2009, the Company (as the Purchaser) entered into the Sale and Purchase Agreement with the Vendor regarding the Acquisition. Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares at the Consideration of HK\$300 million. The Sale Shares represent the entire equity interest in the Target Company. The shareholding structure of the Target Group is included under the section headed “Shareholding Charts” of this announcement. The principal asset of the Target Group is the Mining License held by the Mining Company.

Pursuant to the Sale and Purchase Agreement, the Consideration of HK\$300 million shall be settled by the Company in the following manner:

- (i) HK\$40 million by cash payable by the Company within 10 Business Days from the date of the signing of the Sale and Purchase Agreement or ten Business Days from the date of successful registration of the Share Mortgage (whichever is later) or such other date agreed by the parties to the Sale and Purchase Agreement, as refundable deposit; and
- (ii) after deduction of the said deposit, the remaining HK\$260 million by the issue of the Convertible Bonds in the principal amount of HK\$260 million at the Conversion Price of HK\$0.20 per Conversion Share within one month upon Completion to the Vendor.

\* For identification purpose only

The cash portion of the Consideration of HK\$40 million was paid by the Company to the Vendor on 5 June 2009 and was financed by the internal resources of the Group.

The Mine is located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the PRC\* (內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經棚鎮), with an aggregate mining area of 1.7259 km<sup>2</sup>.

## **LISTING RULES IMPLICATION**

As one of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. By virtue of that Mr. Han, being a legal representative and a director of an indirect wholly-owned subsidiary of the Company and holds directorships in the Target Group, the Acquisition also constitutes a connected transaction for the Company and is subject to the Independent Shareholders' approval by way of poll at the SGM. Mr. Xie Hongmiao, the nephew of Mr. Xie Xishuang who was a legal representative of Shanghai Jiye until May 2009, is interested in 128,840,000 Shares, representing approximately 6.10% of the issued share capital of the Company as at the date of this announcement. Mr. Xu Dong, who is a director of the Mining Company, is interested 121,585,000 Shares, representing approximately 5.75% of the issued share capital of the Company as at the date of this announcement. Mr. Xie Hongmiao and Mr. Xu Dong are therefore considered to have material interest in the Acquisition. Accordingly, all of Mr. Han, Mr. Xie Hongmiao and Mr. Xu Dong, and their respective associates are required to abstain from voting in favour of the Acquisition at the SGM.

## **GENERAL**

An Independent Board Committee comprising Mr. Lam Man Yui, Mr. Lai Wai Yin, Wilson and Ms. Cao Jie Min (all being independent non-executive Directors) has been established to (i) advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in respect of the Acquisition after taking into account the recommendation of the independent financial adviser to be appointed by the Company.

The SGM will be held to consider and, if thought fit, approve the ordinary resolutions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among others, (i) further details of the Acquisition and the Sale and Purchase Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**As completion of the Acquisition is subject to the fulfillment of a number of conditions precedents which are detailed in this announcement, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 5 June 2009, pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 12 June 2009.

## **INTRODUCTION**

On 4 June 2009, the Company (as the Purchaser) entered into the Sale and Purchase Agreement with the Vendor regarding the Acquisition. Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares at the Consideration of HK\$300 million.

## **THE SALE AND PURCHASE AGREEMENT**

Set out below are the principal terms of the Sale and Purchase Agreement:

### **Date:**

4 June 2009 (after trading hours)

### **Parties involved:**

#### **Purchaser**

the Company

#### **Vendor**

Gold Trinity, being the sole shareholder of the Target Company, is an investment holding company incorporated in the British Virgin Islands on 9 January 2009 with limited liability. As at the date of this announcement, the Vendor is legally and beneficially owned as to 100% by Mr. Han.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Han is a legal representative and a director of an indirect wholly-owned subsidiary of the Company as at the date of this announcement. The Company has been discussing with various parties from time to time to explore any suitable acquisition opportunities for the Company to participate in the PRC mining industry and the Acquisition is an investment opportunity considered by the management of the Company as proposed by the Vendor, the shareholder of which is Mr. Han, a legal representative and a director of an indirect wholly-owned subsidiary of the Company.

In addition, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor, Mr. Han and their respective associates do not hold any Shares or other convertible securities in the Company as at the date of this announcement.

### **Guarantor**

Mr. Han

Mr. Han as the primary obligor (but not merely as a guarantor), as continuing security, unconditionally and irrevocably guarantees to the Purchaser that the Vendor shall pursuant to the Sale and Purchase Agreement duly and punctually perform and observe its obligations under the Sale and Purchase Agreement and pay all the money payable by the Vendor. The Guarantor also undertakes to the Purchaser that the Guarantor shall procure the Vendor to observe its obligations (whether expressed or implied) under the Sale and Purchase Agreement, including but not limited to the guarantee given by the Vendor.

### **Assets to be acquired:**

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares at the Consideration. The Sale Shares represent the entire equity interest in the Target Company. The shareholding structure of the Target Group is included under the section headed "Shareholding Charts" of this announcement. The principal asset of the Target Group is the Mining License held by the Mining Company.

The Directors also confirmed that no prior transaction between the Group and the Vendor and/or its associates would require aggregation under Rule 14.22 of the Listing Rules.

The original cost of the Target Group (inclusive of capital and purchase cost of the Target Group contributed) to the Vendor (the 85% equity interest in Shanghai Jiye was purchased by the Vendor in March 2009) is estimated to be of about RMB18.37 million (equivalent to approximately HK\$21.09 million). As advised by the Vendor, at the time of its acquisition of Shanghai Jiye, no updated reserve report and/or feasibility report were prepared to ascertain the possible reserves and production amounts of the Mine. For this reason, the original cost of the Target Group to the Vendor is much lower than the Consideration.

Since the Board did not have the opportunities to access to the original vendor of Shanghai Jiye with an objective to acquire the Mining Company by the Company prior to the commencement of negotiation between the Company and the Vendor in relation to the Acquisition, the Company is unable to acquire the Target Group directly from the original vendor.

**The Consideration:**

Pursuant to the Sale and Purchase Agreement, the Consideration of HK\$300 million shall be settled by the Company in the following manner:

- (i) HK\$40 million by cash payable by the Company within 10 Business Days from the date of the signing of the Sale and Purchase Agreement or ten Business Days from the date of successful registration of the Share Mortgage (whichever is later) or such other date agreed by the parties to the Sale and Purchase Agreement, as refundable deposit; and
- (ii) after deduction of the said deposit, the remaining HK\$260 million by the issue of the Convertible Bonds in the principal amount of HK\$260 million at the Conversion Price of HK\$0.20 per Conversion Share within one month upon Completion to the Vendor.

The cash portion of the Consideration of HK\$40 million was paid by the Company to the Vendor on 5 June 2009 and was financed by the internal resources of the Group.

**Basis of the Consideration:**

The Consideration was determined between the Vendor and the Purchaser after arm's length negotiations, taking into account the followings:

- (i) the preliminary valuation on the Mine of approximately HK\$820 million as at 30 April 2009 by an independent Valuer, as set out in the draft Valuation Report;
- (ii) the latest market statistics and future prospects of the non-ferrous metals industry; and
- (iii) the payment method of the Consideration.

Based on the draft Valuation Report provided by the Valuer, the preliminary valuation on the fair value of the Mine was approximately HK\$820 million as at 30 April 2009. The Valuer has applied the income approach, which was prepared with reference to the draft Feasibility Report and the Reserve Report for the preliminary Valuation. However, the preliminary Valuation is subject to further in-depth due diligence to be conducted by the Valuer and therefore the preliminary Valuation may or may not be equivalent to the final amount of the Valuation. Further details of the draft Feasibility Report and the Reserve Report are set forth in latter sections of this announcement.

The draft Valuation Report, including details of the assumptions, basis and methodology of the Valuation, shall be included in the circular of the Company regarding the Acquisition to be despatched to the Shareholders as soon as practicable. Set out below are some of the key assumptions, which are not exhaustive, used in the preliminary Valuation as extracted from the draft Valuation Report:

- there will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where the Mine currently operates or will operate, which will materially affect the revenue attributable to the Mine;

- there will be no major changes in the current taxation law in the jurisdiction where the Mine currently operates or will operate, which will materially affect the revenue attributable to the Mine, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- exchange rates and interest rates will not differ materially from those presently prevailing;
- all relevant legal licenses, rights and permissions for the operation of the Mine have been/and will be obtained and they will be renewed automatically with minimal costs;
- no delay in the production and development schedule; and
- the expected mining method, production schedule, operating costs and capital costs projected in the draft Feasibility Report are fair and reasonable and will be closely match with the actual development of the Mine.

The Board (excluding the independent non-executive Directors) has reviewed the principal basis and assumptions upon which the preliminary Valuation is based and is of the view that the preliminary Valuation (subject to further in-depth due diligence) has been made after due and careful enquiry.

Having considered that (i) the Acquisition will provide an opportunity for the Group to gain access to the non-ferrous metals industry with an aim of broadening the income base of the Group, and thereby enhancing the Group's future financial performance and profitability; (ii) the latest market statistics and future prospects of the non-ferrous metals industry as set forth in the latter section of this announcement; (iii) the Consideration represents a discount (a) of approximately 28.26% to HK\$418.20 million of the preliminary Valuation, being the effective interest in 51% of the Mining Company; (b) or approximately 4.35% to HK\$313.65 million, being the effective profit sharing ratio of 45:55 after the investment period as set forth in the latter section of this announcement; and (iv) a significant portion of the Consideration shall be satisfied by the issue of the Convertible Bonds, the Board (excluding the independent non-executive Directors whose view is subject to the advice from the independent financial adviser) consider that the Consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

#### **Board composition of the Mining Company:**

The Mining Company is currently managed by a board of three directors. Shanghai Jiye and Xinyuan Mining are empowered to appoint two and one of the directors of the Mining Company respectively. Upon Completion, the Mining Company will become a 51% indirectly-owned subsidiary of the Company and the Company shall have majority control over the board of directors of the Mining Company.

## **Conditions precedent:**

Completion of the Sale and Purchase Agreement is conditional upon certain conditions being fulfilled or waived in writing, including but not limited to:

- (i) the Company having obtained a PRC legal opinion (in such form and substance satisfactory to the Company) from a qualified PRC legal adviser appointed by the Company. The PRC legal opinion should confirm, inter alia, the legality of the Sale and Purchase Agreement and of the Company's interest in the Target Group upon Completion;
- (ii) the Company having obtained a valuation report from an independent valuer (in such form and substance satisfactory to the Company), showing that the fair value of the Mine is not less than HK\$820 million);
- (iii) the Company, its agent or professional advisers being satisfied with the results of the due diligence review on the Target Group (in relation to legal, accountings, finance, operation or any other matters in the Company's opinion being important);
- (iv) the Vendor having obtained all approvals, confirmations, waiver or consents in respect of the Sale and Purchase Agreement and all transactions contemplated thereunder under applicable laws and regulations from the relevant authorities having jurisdiction over the Vendor or other relevant third parties (if so required by the relevant legislations);
- (v) the Company having obtained a report on the reserve of the Mine (in such form and substance satisfactory to the Company) from a qualified expert appointed by the Company;
- (vi) the Company having obtained a feasibility report of the business and operation of the Mining Company from an independent and professional adviser (in such form and substance to its satisfaction);
- (vii) the Target Company has the right to control over the Mining Company, including but not limited to the right to appoint over half of the number of directors to the board of directors of the Mining Company and has the right to control over the board of directors of the Mining Company;
- (viii) the approval from the Bermuda Monetary Authority to allot and issue the Conversion Shares (if required);
- (ix) the Independent Shareholders having in the SGM approved the Sale and Purchase Agreement, the allotment and issue of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds and all transactions contemplated thereunder in accordance of the by-laws of the Company and the Listing Rules;
- (x) the Listing Committee of the Stock Exchange having granted or agreeing to grant the listing of, and permission to deal in, the Conversion Shares whether subject to conditions or not;



- (xi) the Company being satisfied, from the date of signing of the Sale and Purchase Agreement and at any time before Completion, that the representations, warranties and undertakings given under the Sale and Purchase Agreement remain true, accurate, not misleading or in breach in any material respect and that no event have suggested that there were any material change in such representations, warranties and undertakings; and
- (xii) the Company not having discovered or known that from the date of signing of the Sale and Purchase Agreement, there being any abnormal operations or any material adverse change in the business, positions (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in respect of the Target Group.

The Purchaser shall have the right to waive in writing the conditions as mentioned above (save as and except for condition conditions (viii), (ix) and (x)). Save as aforesaid, if the conditions precedent as set out in the Sale and Purchase Agreement have not been fulfilled (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, the Sale and Purchase Agreement will terminate.

**Completion:**

Completion shall take place within 10 Business Days (or such later date and time as agreed by the Company and the Vendor in writing) from the date of the written notice of Completion issued by the Company. Such written notice will only be issued by the Company where the conditions precedent to the Sale and Purchase Agreement set out above have been satisfied or waived (if possible).

The Company has no present intention to change the composition of the Board upon Completion and the Directors confirmed that the Company does not intend to appoint Mr. Han and/or his associates as Director(s) as a result of the Acquisition. Pursuant to the terms of the Sale and Purchase Agreement, the Vendor undertakes to the Company that he and his associates shall not appoint any person as the Director(s) within one year from the Completion.

**The Convertible Bonds:**

Pursuant to the Sale and Purchase Agreement, an amount of HK\$260 million out of the Consideration is to be satisfied by the issue of the Convertible Bonds at the Conversion Price of HK\$0.20 per Conversion Share by the Company to the Vendor (or its nominee(s)) within one month upon Completion.

The principal terms of the Convertible Bonds are summarized as follows:

*Issuer*

The Company



*Noteholder(s)*

The Vendor (or its nominee(s))

*Principal amount*

HK\$260 million

*Maturity date*

The Business Day falling on the third anniversary from the issue date of the Convertible Bonds

*Interest*

3% per annum

*Transferability*

The Convertible Bonds will be freely transferable or assigned (in integral multiple of HK\$1,000,000 or such lesser amount representing the entire outstanding principal amount of the Convertible Bonds) to transferee other than a connected person of the Company, which is subject to the consent of the Company and is in compliance with the Listing Rules.

*Voting rights*

The holder(s) of the Convertible Bonds is/are not entitled to attend or vote at any meetings of the Company.

*Conversion rights*

Holder(s) of the Convertible Bonds has/have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK\$1,000,000 or integral multiples thereof) on any Business Day after the date of issuance of the Convertible Bonds up to the maturity date, provided that (i) holder(s) of the Convertible Bonds and parties acting in concert with it/them will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code; and (ii) holder(s) of the Convertible Bonds shall not exercise the conversion rights attached to the Convertible Bonds if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules.

### *Conversion Price*

The initial Conversion Price of HK\$0.20 per Conversion Share (subject to the usual provisions for adjustments arising from events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues) represents:

- (i) a premium of approximately 41.84% over the closing price of HK\$0.141 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 38.89% over the average of the closing prices of HK\$0.144 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 37.93% over the average of the closing prices of HK\$0.145 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 60.45% over the unaudited consolidated net asset value per Share of approximately HK\$0.125 (based on the unaudited consolidated net asset value of the Group of approximately HK\$219,845,000 as at 30 September 2008 and 1,763,698,191 issued Shares prior to the completion of the Placing).

The Board (excluding the independent non-executive Directors whose view is subject to the advice from the independent financial adviser) confirmed that the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account the stock market condition and the prevailing market price of the Shares.

### *Conversion price reset*

The conversion price of the Convertible Bonds can be reset (if necessary) 12 times (i.e. on the final Business Day of each month) in each calendar year (the "**Reset Date**") before the date of its maturity in the event that the average closing price of the Shares as quoted on the Stock Exchange for the last three consecutive trading days up to and including the Reset Date (the "**Reset Price**") is lower than the then conversion price of the Convertible Bonds. When such situation takes place, the then conversion price of the Convertible Bonds will be adjusted downwards to the Reset Price with effect from the next Business Day, and in any case the reset conversion price should not be less than the par value of the Share of HK\$0.01 each. The Company shall issue an announcement in the event that there are any changes in the initial Conversion Price (and any subsequent changes in the conversion price of the Convertible Bonds) in the future to comply with the relevant requirements under the Listing Rules.

The Board (excluding the independent non-executive Directors whose view is subject to the advice from the independent financial adviser) confirmed that the price reset mechanism of the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor.

The Board is willing to accept the price reset mechanism of the Conversion Price after taking into account that:

- (a) The Board has carefully studied and reviewed the share price performance of some Hong Kong listed companies after those listed companies announced their business plans to diversify the existing business into the mining industry. With this being the case, the Board is optimistic about the future prospects of the Enlarged Group after Completion. The Acquisition may improve the intrinsic value of the Enlarged Group, which may create positive effects on the Share price. In this circumstance, the price reset mechanism would not be applicable to the Company; and
- (b) The Company is willing to pay HK\$40 million as the cash portion for the settlement of the Consideration, representing only approximately 13.33% of the Consideration, and the remaining balance of the Consideration will be settled by the issue of the Convertible Bonds with a term of maturity of three years. Such payment term as agreed by the Company and the Vendor is similar to a vendor financing arrangement. Without such vendor financing arrangement, the Company does not have sufficient internal resources to finance the Acquisition and is unable to participate in the PRC mining industry.

In return for the Vendor to agree such payment term, the Vendor requested the Company to provide some assurance relating to the performance of the Share price and/or the Company's repayment ability. In view of that the Board and/or the Company is not in the position to (i) assure the Share price performance after Completion; and/or (ii) guarantee that the Company can obtain the funds to repay the Convertible Bonds within three years (despite the fact that the Board will use its best efforts to approach any potential investors, bankers or partners to support the Company by equity and/or debt financing after the release of this announcement), the Board finally reached an agreement with the Vendor to include the said price reset mechanism in the terms of the Convertible Bonds to assure the Vendor to a certain extent.

In addition, in light of that (i) the Convertible Bonds would not create a substantial capital expenditure of the Group immediately upon Completion; and (ii) the initial Conversion Price represents a premium to of approximately 60.45% over the unaudited consolidated net asset value per Share of approximately HK\$0.125 (based on the unaudited consolidated net asset value of the Group of approximately HK\$219,845,000 as at 30 September 2008 and 1,763,698,191 issued Shares prior to the completion of the Placing), the Board (excluding the independent non-executive Directors whose view is subject to the advice from the independent financial adviser) considers the price reset mechanism of the Conversion Price to be fair and reasonable.

### *Redemption*

Holder(s) of the Convertible Bonds has/have the right to require the Company to redeem the Convertible Bonds upon the occurrence of events of default as stipulated in the terms of the Convertible Bonds.

The Company may at any time before the maturity date with the consent of the holder(s) of the Convertible Bonds redeem in whole or in part the Convertible Bonds. Unless previously converted, purchased and cancelled, the Company shall pay the outstanding principal amount under the Convertible Bonds by cash on the date of maturity of the Convertible Bonds.

### *Ranking of the Conversion Shares*

The Conversion Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares.

### *Application for listing*

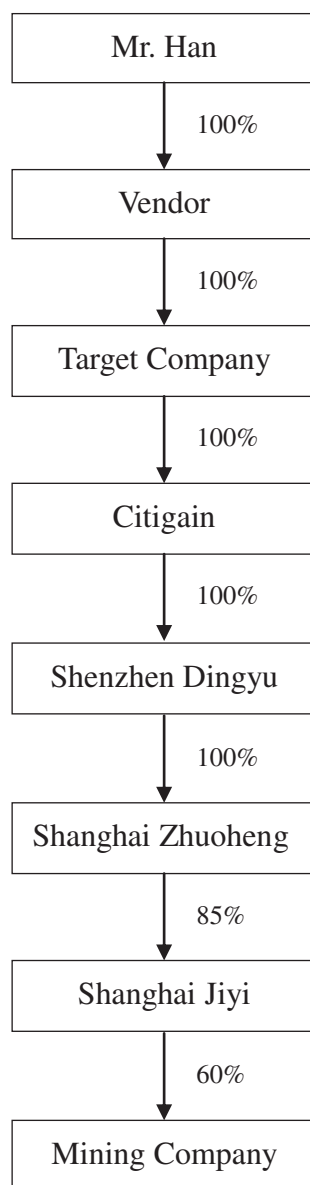
Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in the Conversion Shares. The Conversion Shares shall be allotted and issued under a specific mandate.

Assuming full conversion of all Convertible Bonds at the initial Conversion Price, 1,300,000,000 Conversion Shares will be issued, representing (i) approximately 61.50% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 38.08% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds.

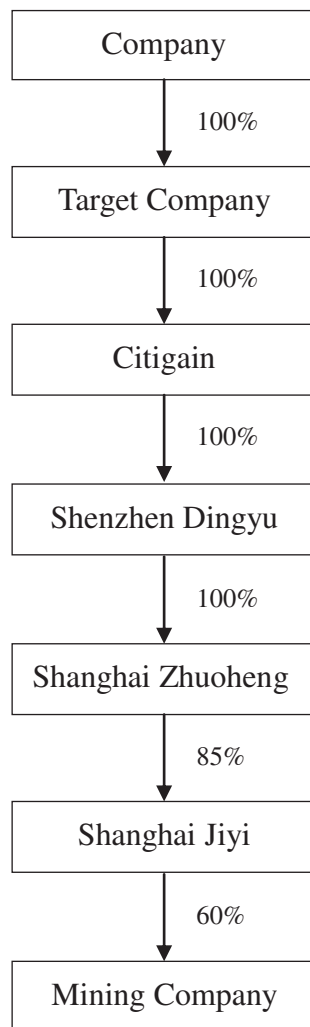
## SHAREHOLDING CHARTS

The following charts show (i) the shareholding structure of the Target Group as at the date of this announcement; and (ii) the shareholding structure of the Enlarged Group immediately upon Completion:

### Simplified shareholding structure as at the date of this announcement



## Simplified shareholding structure immediately upon Completion



## CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price; (iii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the minimum Conversion Price of HK\$0.01; and (iv) immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, subject to the conversion restrictions under the Sale and Purchase Agreement and the terms of the Convertible Bonds:

Shareholders	As at the date of this announcement		After the allotment and issue of the maximum number of Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price		After the allotment and issue of the maximum number of Conversion Shares upon full conversion of the Convertible Bonds at the minimum Conversion Price of HK\$0.01 <i>(Note 3)</i>		After the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, while the Vendor does not hold more than 29.90% of the issued share of capital the Company <i>(Note 4)</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Ms. Yu Wai Fong, the Director	512,630,358	24.25	512,630,358	15.02	512,630,358	1.82	512,630,358	17.00
Mr. Xu Dong <i>(Note 1)</i>	121,585,000	5.75	121,585,000	3.56	121,585,000	0.43	121,585,000	4.03
Mr. Xie Hongmiao <i>(Note 2)</i>	128,840,000	6.10	128,840,000	3.77	128,840,000	0.46	128,840,000	4.27
The Vendor (or its nominee(s))	-	-	1,300,000,000	38.08	26,000,000,000	92.48	901,563,137	29.90
Public Shareholders	<u>1,350,642,833</u>	<u>63.90</u>	<u>1,350,642,833</u>	<u>39.57</u>	<u>1,350,642,833</u>	<u>4.81</u>	<u>1,350,642,833</u>	<u>44.80</u>
<b>Total</b>	<b><u>2,113,698,191</u></b>	<b><u>100</u></b>	<b><u>3,413,698,191</u></b>	<b><u>100</u></b>	<b><u>28,113,698,191</u></b>	<b><u>100</u></b>	<b><u>3,015,261,328</u></b>	<b><u>100</u></b>

### Notes:

- As at the date of this announcement, Mr. Xu Dong is a director of the Mining Company, and is thus considered to have material interest in the Sale and Purchase Agreement. Accordingly, Mr. Xu Dong and his associates are required to abstain from voting at the SGM.
- Mr. Xie Hongmiao is the nephew of Mr. Xie Xishuang who was a legal representative of Shanghai Jiye until May 2009, and is thus considered to have material interest in the Sale and Purchase Agreement. Accordingly, Mr. Xie Hongmiao and his associates are required to abstain from voting at the SGM.



3. For illustrative purpose only, in the event that the Conversion Price is reset to HK\$0.01 based on the terms of the Convertible Bonds, the maximum number of the Conversion Shares to be issued upon full conversion of the Convertible Bonds would be 26,000,000,000 Shares, representing (i) approximately 1,474.18% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 92.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the minimum conversion price of HK\$0.01.
4. The shareholding structure is shown for illustration purpose only and may not be exclusive. Pursuant to conversion restrictions under the Sale and Purchase Agreement and the terms of the Convertible Bonds, holder(s) of the Convertible Bonds shall have the right to convert the Convertible Bonds into Conversion Shares provided that (i) holder(s) of the Convertible Bonds and parties acting in concert with it/them will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code; and (ii) holder(s) of the Convertible Bonds shall not exercise the conversion rights attached to the Convertible Bonds if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules.
5. As at the date of this announcement, the Company has 70,540,000 outstanding share options granted under the share option scheme of the Company, carrying rights to subscribe for 70,540,000 Shares. Save for the aforesaid share options, the Company does not have any outstanding warrants, derivatives or securities convertible into Shares as at the date of this announcement. The shareholding structure shown in the above table has assumed no exercise of such share options.

Given the terms and conditions of the Sale and Purchase Agreement and the terms of the Convertible Bonds as mentioned above, there will not be a change in control of the Company as a result of the Acquisition.

The Company shall comply with the public float requirements, being not less than 25% of the total issued share capital of the Company under Rule 8.08 of the Listing Rules, at all times and take appropriate steps/measures to ensure sufficient public float of the Shares (if necessary).

## **DILUTION EFFECT OF THE SHAREHOLDERS**

Due to the significant dilution effect of the Conversion Shares, the Company will make disclosure relating to change in its issued share capital (including any conversion of the Convertible Bonds) in the Next Day Disclosure Return(s) and Monthly Return(s) in compliance with Rules 13.25A and 13.25B of the Listing Rules as and when required.

## **INFORMATION ON THE TARGET GROUP**

### **The Target Company**

The Target Company is an investment holding company incorporated in the British Virgin Islands on 20 June 2006 with limited liability and is wholly-owned by the Vendor. The Target Company has not recorded any turnover since its incorporation.

## **Citigain**

Citigain is an investment holding company incorporated in Hong Kong on 9 June 2006 with limited liability and is wholly-owned by the Target Company. Citigain has not recorded any turnover since its incorporation. As at the date of this announcement, Citigain holds 100% equity interest in Shenzhen Dingyu.

## **Shenzhen Dingyu**

Shenzhen Dingyu is a company incorporated in the PRC on 30 August 2006 with limited liability and is wholly-owned by Citigain. Shenzhen Dingyu has not carried out any significant business since the date of its incorporation. As at the date of this announcement, Shenzhen Dingyu holds 100% equity interest in Shanghai Zhuoheng.

## **Shanghai Zhuoheng**

Shanghai Zhuoheng is incorporated in the PRC on 12 March 2007 with limited liability and is a wholly-owned subsidiary of Shenzhen Dingyu. Shanghai Zhuoheng has not carried out any significant business since the date of its incorporation. As at the date of this announcement, Shanghai Zhuoheng holds 85% equity interest in Shanghai Jiyi.

## **Shanghai Jiyi**

Shanghai Jiyi is incorporated in the PRC on 12 July 2006 with limited liability. Shanghai Jiyi has not carried out any significant business since the date of its incorporation. As at the date of this announcement, Shanghai Jiyi is owned as to 85% by Shanghai Zhuoheng, 10% by Mr. Zhang and 5% by Mr. Ba, and it holds 85% equity interest in the Mining Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Zhang and Mr. Ba are Independent Third Parties.

## **The Mining Company**

The Mining Company is incorporated in the PRC on 23 August 2006 with limited liability. As at the date of this announcement, the Mining Company is owned as to 60% by Shanghai Jiyi and 40% by Xinyuan Mining. The Mining Company holds the Mining License. As aforementioned, save as and except for the Mining License, the Mining Company has no other material assets as at the date of this announcement. The Directors confirmed that, upon Completion, the Mining Company will be principally engaged in the exploitation, instead of the exploration of the Mine.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Xinyuan Mining is an Independent Third Party.

The Company has appointed the PRC legal advisers to carry out legal due diligence on, among other things, the Target Group's legal title and interest to the Mine, whether there will be any legal impediments for the Mining Company to obtain all the relevant mining rights certificate for the future operation and production of the Mine and whether there are other legal concerns which may possibly arise in the future.

Based on the examination of the relevant legal documents of the Mining Company and the fact that the Mining License has been granted to the Mining Company, the Company's PRC legal advisers indicated that there is no foreseeable obstacle for the Mining Company to renew the Mining License. The Company's PRC legal advisers also indicated that the Mining License is likely to be renewed for a period of three years upon expiration in November 2011.

In addition, according to the PRC legal advisers, (i) there is also no foreseeable obstacle for the Mining Company to obtain the relevant licenses in carrying mining business; and (ii) the Mining Company can carry on the mining business of molybdenum in the PRC provided that the Mining Company shall outsource the exploitation process of molybdenum to Xinyuan Mining or other third party which is incorporated in the PRC. Should the exploitation process of molybdenum be outsourced to Xinyuan Mining or other third party, the transactions between the Mining Company and Xinyuan Mining or that other party may constitute continuing connected transaction(s) for the Company under the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules as and when necessary.

The Target Company has confirmed that the Mining Company has not yet commenced any business operation since the date of its incorporation. Nevertheless, a draft Feasibility Report regarding the future business of the Mining Company has been prepared. With reference to the draft Feasibility Report, it is proposed that certain mining and smelting plants which shall commence production in 2010 will be set up, and the expected amounts of production of the Mine are 250, 495, 785 kilotonnes of ore in 2010, 2011 and 2012 respectively.

As further referred to in the draft Feasibility Report, the initial capital cost for the Mine in 2010 is estimated to be of approximately RMB78,500,000. Thereafter, from 2011 to 2014, the Mine is expected to require a total capital cost of approximately RMB41,800,000.

### **Profit sharing**

According to a cooperative agreement entered into between Shanghai Jiyi and Xinyuan Mining on 28 July 2006, the profit sharing between Shanghai Jiyi and Xinyuan Mining in respect of the Mining Company is on a 50:50 basis during the investment period and once the investment breaks even, the profit sharing ratio between Shanghai Jiyi and Xinyuan Mining will be adjusted to the ratio of 45:55. As represented by the Vendor, Xinyuan Mining performed a significant role in obtaining the Mining License for the Mining Company and the profit sharing ratio in respect of the Mining Company was hence not based on the respective equity interest of the shareholders in the Mining Company. To the best of the Directors' knowledge, Xinyuan Mining will continue to monitor and provide advice on business operations to the Mining Company after Completion and the Directors expect that the contribution from Xinyuan Mining will persistently benefit the Mining Company as well as the Company in the future.

In view of the above, together with the fact that the Consideration has already taken into account the possible shortfall between the Company's share of profit in respect of the Mining Company under the aforesaid profit sharing ratio and the required capital to be contributed by the Company into the Mining Company based on the draft Feasibility Report, the Directors consider that the aforesaid profit sharing ratio between Shanghai Jiyi and Xinyuan Mining is acceptable.

### **Capital commitment**

Based on a supplemental co-operative agreement entered into between Shanghai Jiyi and Xinyuan Mining on 26 June 2007 (the "**Supplemental Agreement**"), during the development phase, in the event that the investment amounts of the Mining Company are not more than RMB30 million, such amounts will be contributed based on Shanghai Jiyi and Xinyuan Mining's respective equity interests in the Mining Company. However, the Company noted that the provision of the Supplemental Agreement regarding the said contribution ratio if the investment amounts are more than RMB30 million is relatively unclear (but in which case Shanghai Jiyi's maximum contribution into the Mining Company would be 60%). Therefore, the Board will re-negotiate with Xinyuan Mining upon Completion to formulate the funding obligation or liabilities in such circumstance and will update the Shareholders in accordance with the Listing Rules.

If the Company needs to make advance to the Mining Company which is not in proportion to its shareholding interest in the Mining Company, there may be continuing connected transaction implication. Nevertheless, it is uncertain as at the date of this announcement to determine whether the Company itself or Xinyuan Mining will be the lender to provide the loan to the Mining Company.

The Company will finance its capital contribution into the Mining Company either by the Group's internal resources or other fund-raising exercises. As at the date of this announcement, the Company has not entered into any agreement in respect of such fund raising exercises. In the event that the Company proceeds to any fund raising exercise and there is any implication under the Listing Rules, the Company shall make further announcement(s) and take appropriate steps pursuant to the Listing Rules.

### **Others**

Since the Mining Company is a limited company incorporated in the PRC, although there is no clear relevant stipulations in the aforesaid cooperative agreement and the Supplemental Agreement, the PRC legal advisers advised that any losses and claims of the Mining Company shall be borne entirely by itself and both Shanghai Jiyi and Xinyuan Mining shall not be liable to those losses and claims.

Moreover, in the event that the Mining Company is terminated, the remaining assets of the Mining Company shall be distributed to Shanghai Yiji and Xinyuan Mining in proportion to their respective actual capital investments in the Mining Company after liquidation of the Mining Company.

## The Target Group

Upon Completion, the Group will become a 100% shareholder of the Target Company and therefore be effectively interested in (i) 100% equity interest in Citigain; (ii) 100% equity interest in Shenzhen Dingyu; (iii) 100% equity interest in Shanghai Zhuoheng; (iv) 85% of the equity interest in Shanghai Jiye; and (v) 51% of the equity interest in the Mining Company. Furthermore, as mentioned under the foregoing section headed “Board composition of the Mining Company”, the Company will be able to control the board of directors of the Mining Company. As a result, the Mining Company will become a non wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

According to the unaudited financial statements of the Target Group prepared in accordance with the relevant PRC accounting standards, the turnover, net loss before and after taxation of the Target Group were nil, approximately HK\$97,944 and HK\$98,265 respectively for the year ended 31 December 2007; while the turnover, net loss before and after taxation of the Target Group were nil, approximately HK\$9,676 and HK\$10,382 respectively for the year ended 31 December 2008. The net assets of the Target Group were approximately HK\$156,559 and HK\$91,723 respectively as at 31 December 2007 and 31 December 2008.

According to the latest management accounts of the Target Group prepared in accordance with the relevant PRC accounting standards, the unaudited turnover, net loss before and after taxation of the Target Group were nil, approximately HK\$7,624 and HK\$7,624 respectively for the three months ended 31 March 2009. The unaudited net liabilities of the Target Group were approximately HK\$7,818,351 as at 31 March 2009.

## The Mine

The Mine is located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the PRC\* (內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經棚鎮), with an aggregate mining area of 1.7259 km<sup>2</sup>. As represented by the Vendor, based on the development schedule of the Mine and the draft Feasibility Report, the Mining Company will not commence any exploitation of the Mine prior to Completion.

Details of the Mining License are summarized as below:

License number	Holder of the license	Mining area (km <sup>2</sup> )	Expiry date
1500000820591	The Mining Company	1.7259	26 November 2011

As mentioned previously, the Company’s PRC legal advisers indicated that the Mining License is likely to be renewed for a term of three years upon expiration.

According to the Reserve Report dated April 2009 issued by Jiangxi Non-ferrous Geology Exploration – Second Team\* (江西有色地質勘查二隊), the predominant reserves in the Mine are various kinds of metals including mainly copper and molybdenum, and the identified reserves (with reference to the Reserve Report, the classification of the mineral reserve is 332 according to Chinese Solid Mineral Reserve Classification System, which is approximately equivalent to indicated resource in JORC Code) of the Mine are as follows:

<b>Types of metals</b>	<b>Quantity</b> <i>(tonnes)</i>
Copper reserve	18,860
Molybdenum reserve	5,356.91

The Valuer confirmed that they are satisfied with the qualification of Jiangxi Non-ferrous Geology Exploration – Second Team\* (江西有色地質勘查二隊) and the preliminary Valuation was based on the Reserve Report.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in the properties investment business, comprising the rental of investment properties and the provision of the property management services.

### **Industry overview**

#### *Copper*

Copper is the world's third largest industrial metal by volume, after steel and aluminum. The main industrial usage of copper is for the production of cable, wire and electrical products for both the electrical and building industries.

According to the Shanghai Metal Exchange (<http://www.shfe.com.cn>), the highest domestic selling price of copper was mounted to approximately RMB66,466 per tonne in 2008 and it had dropped to approximately RMB27,027 per tonne in December 2008. Furthermore, as referred to the statistics released by the China Non-ferrous Metals Industry Association (<http://www.chinania.org.cn>), copper production had reached approximately 3,710,000 tonnes in 2008, representing a growth of approximately 10% as compared to the prior year.

#### *Molybdenum*

Molybdenum is a common by-product of copper mining and has the ability to withstand extreme temperatures with a high resistance to corrosion. Molybdenum is widely used as an alloy agent in stainless steel. The uses for molybdenum-containing products are mostly industrial and they include energy generation, oil and gas, chemical processing, transportation, mining, mechanical engineering, building and construction and fabrication.



According to the China Non-ferrous Metals Industry Association (<http://www.chinania.org.cn>), the domestic selling price of molybdenum was approximately RMB3,564 per tonne in average in 2008, representing a decrease of approximately 13.77% as compared to the prior year. Moreover, with reference to Molybdenum Market Update (September 2007) published by the International Molybdenum Association ([www.imoa.info](http://www.imoa.info)), demand for molybdenum had increased significantly with a compound annual growth rate of approximately 8% between 2002 and 2006.

In view of the possible continual economic growth in the PRC, it is expected that demand for non-ferrous metals (in particular copper and molybdenum) will be sustainably high in long run. The Directors hence consider that it is beneficial for the Group to penetrate into the non-ferrous metals industry as an alternative investment opportunity to diversify the existing business portfolio of the Group and to broaden the Group's income source. It is also the intention of the Company to continue with its existing businesses in property investment. However, the recent improvement in the market sentiment of Shanghai property market may provide the Company opportunities to dispose of the existing investment properties held by the Group at a price which is acceptable to the Board. Should such disposal materialises, the Company may apply the proceeds as (i) working capital of the Group to reduce the indebtedness of the Group and/or to finance the Acquisition; or (ii) to acquire other suitable investment properties when opportunities arise.

### **Management team**

The Mining Company has an experienced management team to oversee its operation. The management team consists of personnel with appropriate qualifications and relevant experience in the mining industry. The Enlarged Group will retain the existing management team of the Mining Company and will appoint suitable candidates to ensure continual efficient operation of the Mining Company.

Set out below are the biographies of the existing and proposed members of the management team of the Mining Company:

Mr. Ke Yunfeng\* (柯雲峰)

Mr. Ke Yunfeng\*, aged 69, was graduated from Changchun College of Geology\* (長春地質學院). He was a senior engineer with over 35 years of experience in geological research and minerals appraisal. He was also a leader of several geological research team in the past and had participated in various geological research conducted by the provincial government in Hubei Province, the PRC. Mr. Ke is currently the chief engineer of Ezhou City Hongfu Minerals Investment Limited Company (鄂州市鴻福礦業實業有限公司).



Mr. Yu Zhongbao\* (喻忠保)

Mr. Yu Zhongbao\*, aged 59, was graduated from Changchun College of Geology\* (長春地質學院) with a degree in geological exploration. He was a senior engineer with over 35 years of experience in geological research and minerals appraisal. He was also a leader of several geological research team in the past and had participated in various geological research conducted by the provincial governments, and worked for Huang Shi City Municipal Bureau of Land and Resources\* (黃石市國土資源局). Currently, Mr. Yu is a consultant for several minerals and technical development projects.

Mr. Lu Dekui\* (盧德揆)

Mr. Lu Dekui\*, aged 71, was graduated from University of China Geology\* (中國地質大學). He was a senior professor and head of the Geology Department of Jiangxi Province, the PRC with over 40 years of experience in geological research and minerals appraisal. He was also a leader of several geological research teams in the past and had participated in various geological research conducted by the provincial governments.

## **Conclusion**

The Directors consider that the Enlarged Group may be posed with certain inevitable risks due to the Acquisition (details of which are set out under the section headed “Risk factors” below). Having balanced the risks associated with the Acquisition and the prospects of the Mining Company, the Board (excluding the independent non-executive Directors whose view is subject to the advice from the independent financial adviser) is of the view that the terms of the Sale and Purchase Agreement (including the Consideration and the terms of the Convertible Bonds) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **Risk factors**

Set out below are the risk factors which may be associated with the Acquisition:

### *Fluctuation in the price and demand of copper and molybdenum*

The price of copper and molybdenum in the PRC is highly dependent on their prices in the international market. The Directors consider that there are many factors which may influence the price and demand of copper and molybdenum in the international market, including but not limited to the stability of the international economic situation and the fluctuation of the global political and social condition, which are beyond the control of the Enlarged Group. Besides that, there is a possibility that the prices of commodities may fall to lower levels and the future price movements of copper and molybdenum (whether upward or downward) are unpredictable as at this moment.

### *Uncertainties in copper and molybdenum exploitation*

The amounts of copper and molybdenum reserves in the Mine may be varied from the estimations by Jiangxi Non-ferrous Geology Exploration – Second Team\* (江西有色地質勘查二隊) and there is no assurance that the exploitation works to be performed by the Mining Company can lead to discovery of economically feasible reserves.

### *The PRC government's regulations on the non-ferrous metals industry*

The non-ferrous metals industry is subject to various government policies and regulations, including but not limited to, exploitation, development, production, taxation, labour standards, vocational health and safety, waste treatment, environment monitoring, protection and control, operation management and other problems. Any changes to those policies may increase the operating costs of the Mining Company and hence, adversely affect the operating results of the Enlarged Group.

### *Validity of the Mining License*

Despite the fact that the Mining Company has obtained the Mining License for conducting exploitation activities in the Mine during the licensed period, the Mining License is subject to renewal in the future and the Mining Company may not be able to renew or extend its exploitation rights. In the event that the Mining Company fails to renew the Mining License upon expiration, the operation and financial performance of the Enlarged Group will be adversely affected.

### *The Valuation*

The Valuation involves various assumptions and therefore the Valuation may or may not effectively reflect the true value of the Mine.

### *New business for the Group*

The Acquisition constitutes an investment in a new business sector to the Group. Although the Enlarged Group will establish an experienced management team to oversee the operation of the Mining Company, the Enlarged Group may still not be able to control the related operational risks of this new business.

### *Significant and continuous capital investment*

The mining business requires significant and continuous capital investment. Natural resources production projects may not be completed as planned or scheduled, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Thus, the actual capital investment for operation and development of the Mining Company may significantly exceed the Group's budgets because of factors beyond the Company's control.

The Acquisition will increase the level of risk exposure of the Enlarged Group. Independent Shareholders should be aware of the aforementioned risk factors, which may not be exhaustive, when considering the Acquisition.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. By virtue of that Mr. Han, being a legal representative and a director of an indirect wholly-owned subsidiary of the Company, and holds directorships in the Target Group, the Acquisition also constitutes a connected transaction for the Company and is subject to the Independent Shareholders' approval by way of poll at the SGM. Mr. Xie Hongmiao, the nephew of Mr. Xie Xishuang who was a legal representative of Shanghai Jiye until May 2009, is interested in 128,840,000 Shares, representing approximately 6.10% of the issued share capital of the Company as at the date of this announcement. Mr. Xu Dong, who is a director of the Mining Company, is interested 121,585,000 Shares, representing approximately 5.75% of the issued share capital of the Company as at the date of this announcement. Mr. Xie Hongmiao and Mr. Xu Dong are therefore considered to have material interest in the Acquisition. Accordingly, all of Mr. Han, Mr. Xie Hongmiao and Mr. Xu Dong, and their respective associates are required to abstain from voting in favour of the Acquisition at the SGM.

## **GENERAL**

An Independent Board Committee comprising Mr. Lam Man Yui, Mr. Lai Wai Yin, Wilson and Ms. Cao Jie Min (all being independent non-executive Directors) has been established to (i) advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in respect of the Acquisition after taking into account the recommendation of the independent financial adviser to be appointed by the Company.

The SGM will be held to consider and, if thought fit, approve the ordinary resolutions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among others, (i) further details of the Acquisition and the Sale and Purchase Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**As completion of the Acquisition is subject to the fulfillment of a number of conditions precedents which are detailed in this announcement, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## SUSPENSION AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 5 June 2009, pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 12 June 2009.

### DEFINITIONS

In this announcement, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions set out in the Sale and Purchase Agreement
“associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong throughout their regular business hours
“Citigain”	Citigain Holdings Limited (裕創集團有限責任公司*), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“Company” or “Purchaser”	China Properties Investment Holdings Limited (中國置業投資控股有限公司*), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange, and being the purchaser of the Acquisition under the Sale and Purchase Agreement
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the total consideration of HK\$300 million payable by the Purchaser to the Vendor for the Acquisition pursuant to the Sale and Purchase Agreement

“Conversion Price”	HK\$0.20 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Sale and Purchases Agreement and the terms of the Convertible Bonds
“Conversion Share(s)”	1,300,000,000 new Shares to be allotted and issued by the Company upon exercise of the conversion rights attached to all the Convertible Bonds at the initial Conversion Price
“Convertible Bonds”	the convertible redeemable notes in the principal amount of HK\$260 million to be issued by the Company to the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group immediately after the Completion
“Feasibility Report”	a feasibility report prepared by WBB Engineering Consultants, an independent qualified technical consultant engaged by the Company, regarding the future business of the Mining Company
“Gold Trinity” or “Vendor”	Gold Trinity International Limited (金順國際有限公司*), the sole shareholder of the Target Company and an investment holding company incorporated in the British Virgin Islands with limited liability, and being the vendor of the Acquisition under the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Han
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, for the purpose of advising the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders other than Mr. Han (if applicable), Mr. Xie Hongmiao and Mr. Xu Dong, and their respective associates
“Independent Third Parties”	third parties and their ultimate beneficial owner(s) which are independent of the Company and its connected persons

“Last Trading Day”	4 June 2009, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the publication of this announcement
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2010 or such later date as the relevant parties to the Sale and Purchase Agreement may agree in writing
“Mine”	克什克騰旗大地礦業有限公司永勝礦區銅、鉬、鉛、鋅、銀礦, a copper and molybdenum mine located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the PRC (內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經棚鎮)
“Mining Company”	克什克騰旗大地礦業有限責任公司 (Keshi Ketengqi Great Land Mine Industries Company Limited*), a company incorporated in the PRC with limited liability and is owned as to 60% by Shanghai Jiye
“Mining License”	the mining license no. 1500000820591 held by the Mining Company under which the Mining Company shall have the right to conduct mining and exploitation works for copper and molybdenum in the Mine
“Mr. Ba”	Mr. Ba Ri Si (巴日斯), one of the shareholders of Shanghai Jiye
“Mr. Han”	Mr. Han Wei (韓衛), the sole shareholder of the Target Company
“Mr. Xie Hongmiao”	Mr. Xie Hongmiao (解弘淼), a shareholder of the Company and the nephew of Mr. Xie Xishuang
“Mr. Xie Xishuang”	Mr. Xie Xishuang (解錫雙), a former legal representative of Shanghai Jiye until May 2009
“Mr. Zhang”	Mr. Zhang Lei (張磊), one of the shareholders of Shanghai Jiye
“Placing”	the top-up placing of 350,000,000 Shares pursuant to the placing and subscription agreement, and the supplemental agreement dated 20 May 2009 and 22 May 2009 respectively
“PRC”	the People’s Republic of China

“Reserve Report”	內蒙古自治區克什克騰旗永勝礦區銅鉬多金屬礦地質評價報告 prepared by Jiangxi Non-ferrous Geology Exploration – Second Team* (江西有色地質勘查二隊) dated April 2009
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement in relation to the Acquisition entered into between the Purchaser and the Vendor on 4 June 2009
“Sale Shares”	one share of US\$1 each in the issued share capital of the Target Company, representing its entire issued share capital as at the date of this announcement
“SGM”	a special general meeting of the Company to be convened to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Shanghai Jiyi”	上海吉譯實業有限公司 (Shanghai Jiyi Shiye Limited Company*), a company incorporated in the PRC with limited liability and a 85% owned subsidiary of Shanghai Zhuoheng
“Shanghai Zhuoheng”	上海卓衡實業有限公司 (Shanghai Zhuoheng Shiye Limited Company*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Shenzhen Dingyu
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Mortgage”	the share mortgage entered into between the Company and the Vendor on 4 June 2009 in relation to the Sale Shares for due and punctual performance and observance by the Vendor of all the obligations of the Vendor, and the Target Company as contained in the Sale and Purchase Agreement
“Shenzhen Dingyu”	鼎裕投資諮詢(深圳)有限公司 (Dingyu Investment Consulting (Shenzhen) Limited Company*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Citigain
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission of Hong Kong



“Target Company”	Main Pacific Group Limited (萬豐集團有限公司*), a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Vendor
“Target Group”	comprising the Target Company, Citigain, Shenzhen Dingyu, Shanghai Zhuoheng, Shanghai Jiye and the Mining Company
“Xinyuan Mining”	克什克騰旗鑫元礦業有限責任公司 (Keshe Ketengqi Xinyuan Mining Limited Company*), a company incorporated in the PRC with limited liability and is one of the shareholders of the Mining Company
“Valuation”	the fair value of the Mine of approximately HK\$820 million as at 30 April 2009 as estimated by the Valuer
“Valuation Report”	the valuation report prepared by the Valuer regarding the fair value of the Mine as at 30 April 2009
“Valuer”	BMI Appraisal Limited, an independent valuer
“km <sup>2</sup> ”	square kilometer(s)
“%”	per cent.

By order of the Board  
**China Properties Investment Holdings Limited**  
**Yu Wai Fong**  
*Chairman*

Hong Kong, 11 June 2009

*For the purpose of this announcement, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB1.00 : HK\$1.148. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.*

*If there is any inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese names shall prevail.*

*As at the date of this announcement, the executive Directors are Ms. Yu Wai Fong and Mr. Au Tat On, and the independent non-executive Directors are Mr. Lam Man Yui, Mr. Lai Wai Yin, Wilson and Ms. Cao Jie Min.*

*This announcement will remain on the “Latest Company Announcements” page of the website of the Stock Exchange and the website of the Company for at least 7 days from the date of its posting.*

\* For identification purpose only